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Docket Number R-1723 and RIN Number 7100-AF94

To Whom it May Concern:

GROW South Dakota would like to see the Federal Reserve Board (Fed) strengthen CRA exams in order to further promote recovery from the COVID-19 pandemic, especially in the rural areas that are often overlooked for CRA investments.

First, GROW SD would like to stress that the CRA is still important today. GROW SD is located in and primarily serves a rural area. We support banks that do not have a footprint in rural areas to be able to count their CRA investments in those areas. For rural areas, the CRA assessment should be updated to reflect the modern banking environment, particularly the rise of digital banking. Rather than focusing only on where bank branches are located, assessment areas should more broadly encompass the rural geographies that are underserved. While we have benefited from relationships with banking partners that don't have local branches, this also reveals a problem of inadequate lending resources in our area. Our service area is mostly rural, where bank consolidation has had significant impact, closing branches and reducing the opportunities for borrowing. The CRA should be revised to drive more attention to rural areas.

Our CDFIs have benefited from partnerships with banks on community and economic development projects. In addition, our housing counseling and lending programs have received significant support from banks. As a result, we have been able to address housing and job creation needs of low-and moderate-income individuals throughout the state. In the last fiscal year, we closed 171 down payment loans which made it possible for these families to get into homes. This exemplifies the purpose for which the CRA was enacted.

We believe certain categories of activities should be defined as eligible for CRA credit. In particular, banks should receive credit for any activity undertaken in partnership with an organization subject to third-party verification whose mission is to serve LMI individuals and communities. Such organizations include CDFIs, NeighborWorks America chartered organizations, and HUD-approved housing counseling organizations.

The Fed is also proposing to reduce the number of ratings on a state level and on subtests from five to four. This proposal would result in fewer distinctions in performance whereas new CRA exams must reveal more distinctions in order to motivate banks to be more responsive to COVID-19 recovery needs. Five ratings should be retained on the state level and on subtests.

Thank you for the opportunity to offer comments. For forty plus years, CRA has been a critical tool for ensuring that banks serve the credit needs of low- and moderate-income communities, and we look forward to working with regulatory agencies to strengthen and preserve CRA for the future.

Sincerely,

  
Marcia Erickson, CEO



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